



HHSC Contract Management

**Texas Health and Human Services Commission
House General Investigating Committee
March 16, 2005**

Effective, efficient procurement and contracting practices are vital to the Health and Human Services System.

- **In FY 2004 HHS agencies managed over 58,000 contracts valued at more than \$14 billion**
- **A few examples of contracts include:**
 - **Providing Medicaid services to more than 2.7 million clients**
 - **Providing services for 860,000 clients per month in the Women, Infants and Children (WIC) program**
 - **Contracting with about 200 community-based organizations for substance abuse treatment services**
 - **Obtaining nursing facility services for more than 65,000 clients per month**
 - **Supporting the operation of five large agencies, with more than 45,000 employees**

Established business principles for Health and Human Services (HHS) System

- **Require an open and competitive procurement process**
- **Establish strong contract management focused on performance and accountability**

Increasing Accountability

- **Strengthen oversight of contracting including material subcontracts**
- **Formed the Health and Human Services Contract Council**
 - **Providing common standards and across the HHS system while allowing for appropriate levels of program flexibility**
 - **Establishing contracting infrastructure for HHS agencies**
 - **Tracking and reporting database**
 - **Guidelines for risk assessment**
 - **Increase contract management expertise**

Assessing and Reducing Risk

- **Created a HHS System Contract Risk Matrix for risk assessment and appropriate contract management strategies**

Strengthened and standardized contract management processes and policies across HHSC

- **Contract Manual**
 - Implemented July 2004
- **Contract Repository**
 - Central repository for contracts and related documents above identified thresholds

Staff Training on:

- **New processes and procedures**
- **Standard documents/templates**
- **Best practices**
 - Quarterly contract managers meetings and quarterly manual revisions/updates

HHSC Contract Tracking and Administration System (H-CATS)

- Web-based system tracks all contracts and amendments
- Report and tracking on contract deliverables in system
- Tracks contracts status

H-CATS Phase II Enhancements

- Financial information
- Ad Hoc reports
- Track workflow of procurements, amendments and contract renewals
- Electronic notification of completed reviews
- Identifies contracts that will expire in 6 months for forecasting/planning
- Digital signature for approvals

Increasing accountability through:

- **Refocused resources on contract performance:**
 - A unit dedicated to managing the Medicaid claims administrator contract
 - Other Medicaid/CHIP contracts consolidated under a single manager
- **Documentation of contracting decisions, including management decisions:**
 - Initial procurement
 - Amendments/change orders
 - Pricing changes
 - Contract award

- **Improve oversight through technology:**
 - Deliverables Tracking System
 - Financial Reporting System
 - Claims Reporting System
- **Increase contract management expertise:**
 - Obtained staff with industry and technical expertise to ensure appropriate contract performance
- **Implement independent validation of financials and performance:**
 - Independent Financial Audits
 - Independent Performance Audits
 - Independent Electronic Data Processing Audits

Medicaid/CHIP Health Plan Management

Health plan managers assure compliance with contractual, state and federal requirements, including:

- **Network adequacy**
- **Claims timeliness**
- **Complaint information and trends**
- **Marketing activities and materials**
- **Corrective action plans (such as liquidated damages and sanctions)**

Financial Analysts review key financial performance indicators including:

- **Financial Solvency**
- **Net Income Before Taxes**
- **Medical Loss Ratios**
- **Administration Cost Ratios**

Improved performance-based procurement and contracts:

- **Clear performance requirements and contract provisions, including performance matrices, liquidated damages, and corrective actions**
- **Assessment of liquidated damages and/or accelerated monitoring for failure to meet contract requirements**
- **Monitor key performance indicators**
- **Performance profiling to compare HMOs to HHSC standards and/or external benchmarks**
- **Performance-based capitation**
- **Annual performance improvement goals**

Effectively monitor subcontracts

- **Identify any subcontract that could have a material impact to program costs or performance.**
- **Establish policies, procedures and management controls**
- **Take appropriate action to assure performance and apply sanctions**

Review subcontracts and affiliate agreements:

- **In bid evaluation and through readiness reviews**
- **During operations through ongoing monitoring**
- **Retrospectively with financial audits**

Review to:

- **Assure subcontracts fully comply with prime contract and applicable laws, regulations, and requirements**
- **Verify payment rates to subcontractors**
- **Verify reasonableness of rates and services**

Policies, procedures and management controls for reviews will be finalized and implemented by May 2005.